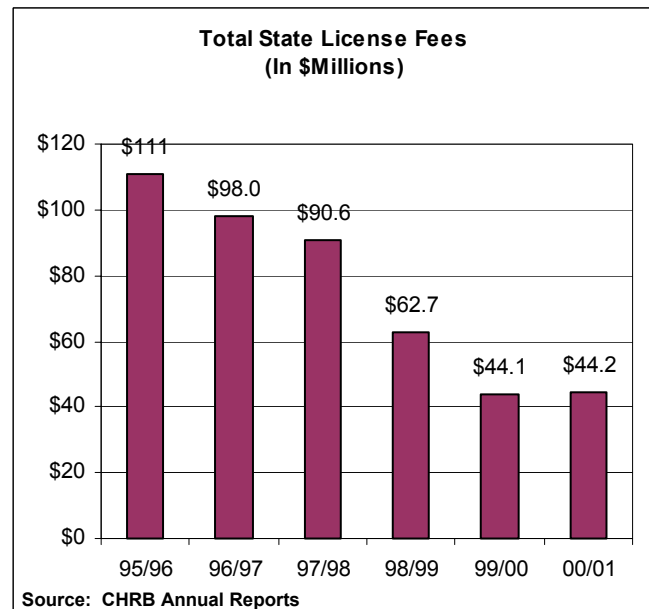
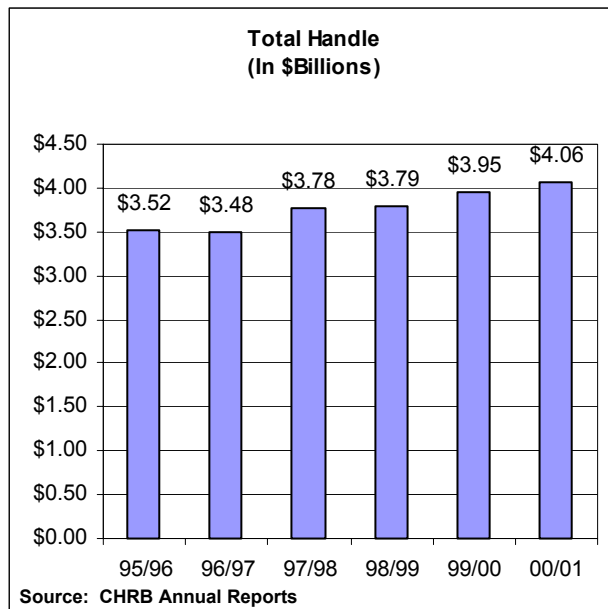


HISTORICAL TRENDS

Fiscal Trends



The California Horse Racing Board (CHRB) records indicate that the total amount wagered on horse racing has increased steadily since Fiscal Year 1994/1995, while state license fees available to fund the fairs have declined. The charts below show the inverse correlation between the total handle to the total state license fees available to fund the Satellite Wagering Account and the Fair and Exposition Fund.



When pari-mutuel wagering in California was created through a constitutional amendment in 1933, horse racing revenues were generated solely from live racing at California tracks. State license fees generated from live horse racing revenue were designated to support the network of California fairs.

Over the last six decades, technological advances have created alternative means of horse race wagering, such as satellite wagering. Satellite wagering facilities appealed to the network of California fairs due to the potential increase in horse racing revenue and subsequent increase in state license fees. As a result, the network of California fairs funding received from live track racing was used to construct numerous satellite wagering facilities throughout California. California fairs host 24 of the 29 satellite wagering facilities in the State. The introduction of satellite wagering in California created a second source of revenue, including out-of-state license fees, available to the horse racing industry, the network of California fairs and the General Fund by broadcasting California races to other facilities throughout the satellite wagering system.

Legislative Actions Impacting Fair Funds



The long-term effect of satellite wagering in California has been a reduction in available revenues from wagering at live racing events. To mitigate the adverse effects of reduced revenues on racing associations and horsemen, SB 27 (Chapter 335/Statutes of 1998) was enacted to provide a license-fee reduction for California racing associations and racing fairs.

The intent of SB 27 was to return funds derived from horse racing gaming (license fees) back to the racing associations and horsemen in order to stimulate the industry. In addition, SB 27 ensured the network of California fairs' funding would remain whole. Prior to SB 27, approximately \$85 million was collected in State license fees, \$38 million of which was used to support the fairs, with the difference going into the General Fund. After SB 27 was enacted, total state license fees were reduced to \$63 million in 1998/1999 and \$44 million in 1999/2000.

Three key bills were passed that secure funding for the network of California fairs.

- **AB 1256** (Chapter 53/Statutes of 2000) – Various components of the approved 1999/2000 expenditure plan were placed at significant risk of not being funded due to an interpretation of the existing statutes that governed the flow of horse racing licensing fees deposited to the F&E Fund and Satellite Wagering Account (SWA). AB 1256 provided a technical correction to the Business and Professions code to allow licensing fees from off-track wagering to be deposited to *both* the F&E Fund and SWA to meet fair funding obligations. Historically, off-track licensing fees were deposited exclusively to the SWA, or General Fund. The bill was signed, and took effect June 30, 2000.
- **SB 1825** (Chapter 342/Statutes of 2000) – Provides for a minimum \$40 million annual funding for the network of California fairs and Kenneth L. Maddy Equine Research Laboratory at U.C. Davis. Licensing fee revenue that fall short of \$40 million in any year shall be collected from associations and fairs that conduct live horse racing during the year of the shortfall, on a pro rata basis according to the amount handled in-state by each association or fair. The amounts due under this legislation, if any, shall be paid from the amount available for commissions, purses, and breeder awards. The California Horse Racing Board is responsible for the administration of this new requirement. The requirements of the bill commenced on January 1, 2001.
- **AB 471** (Chapter 198/Statutes of 2001) – This bill provided collective bargaining for backstretch employees, the authorization for advance deposit wagering, and the directive for CHRB to develop housing standards that protect the health, safety, and general welfare of backstretch employees living at the racetrack.